

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

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SUBJECT: MEXICAN OFFICIALS CRITICIZE US TRADE POSTURE

REF STATE 233115

1. SUMMARY: MEXICAN OFFICIALS, INCLUDING AMBASSADOR TO US DE OLLOQUI, HAVE ENGAGED RECENTLY IN EXTENSIVE AND NOT ALWAYS FACTUAL CRITICISM OF US TRADE LAW AND BILATERAL US-MEXICAN TRADE PROBLEMS. CRITICISM HAS CENTERED ON ALLEGEDLY OVER-VIGOROUS APPLICATION OF TRADE LAW AND MEXICO'S ENORMOUS BILATERAL TRADE DEFICIT WITH US. WE HOPE BILATERAL DISCUSSIONS INCLUDING MEXICAN AMBASSADOR IN WASHINGTON, AND EXPLANATIONS IN OAS FORUM CAN HELP CLARIFY US POSTURE. END SUMMARY.

2. IN RECENT VISIT MEXICO CITY (DURING WHICH HE CALLED ON PRI PRESIDENTIAL CANDIDATE JOSE LOPEZ PORTILLO, REPORTEDLY TO ATTEMPT IMPROVE HIS CHANCES FOR TOP POST IN NEXT ADMINISTRATION), MEXICAN AMBASSADOR TO WASHINGTON JOSE JUAN DE OLLOQUI MADE NUMBER OF
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PRESS STATEMENTS HIGHLY CRITICAL OF US TRADE
ACT AND STATUS OF US-MEXICAN BILATERAL TRADE

RELATIONS. HE REPORTEDLY CRITICIZED TRADE ACT BECAUSE IT RAISES BOTH TARIFF AND NON-TARRIFF BARRIERS ON MEXICAN EXPORTS, THUS EXACERBATING PREDICTED 1975 MEXICAN DEFICIT IN BILATERAL TRADE WITH US OF 2.5 BILLION DOLLARS. "THE FACT IS, DE OLLOQUI IS QUOTED AS SAYING, "THE UNITED STATES IS RUINING ITS FOURTH MOST IMPORTANT CLIENT IN THE WORLD." WHEN ASKED FOR SPECIFIC COMPLAINTS, DE OLLOQUI NAMED CHANGES IN PACKAGING REGULATIONS, ONEROUS SANITARY REGULATIONS, NEW QUOTAS, COUNTERVAILING DUTIES, AND DUMPING CHARGES. THIS SUGGESTS POLICY FOR MEXICO, DE OLLOQUI REPORTEDLY ADDED, OF EVEN MORE SEVERE LIMITATIONS ON MEXICAN IMPORTS, AND GREATER DIVERSIFICATION OF MEXICAN IMPORTS AND EXPORTS. REFERRING TO GSP LIST, DE OLLOQUI DESCRIBED AS "FALSE" STATEMENTS BY US OFFICIALS THAT \$500 MILLION IN MEXICAN EXPORTS TO US WOULD BE FAVORABLY AF3:53\$, AND OFFERED ESTIMATE OF \$180 MILLION AS MORE REASONABLE FIGURE. IF US CONTINUES TO REDUCE SIZE OF GSP PRODUCTS LIST, DE OLLOQUI CONCLUDED, BENEFITS COULD BE EVEN SMALLER. DE OLLOQUI'S STATEMENTS BROUGHT PRAISE FROM EXCELSIOR EDITORIAL, WHICH COMPLAINED THAT US HAS NOT "RECIPROCATED" MEXICO'S PURCHASES OF US GOODS.

3. DE OLLOQUI HAS NOT BEEN ALONE IN HIS CRITICISM OF US TRADE POSTURE. SECRETARY OF INDUSTRY AND COMMERCE JOSE CAMPILLO SAINZ RECENTLY BLAMED OVER-STRICT INTERPRETATION OF NEW US TRADE LAW FOR REDUCTION IN MEXICAN EXPORTS TO US, AND CALLED FOR MORE UNDERSTANDING ATTITUDE ON PART OF THOSE ADMINISTERING TRADE REFORM ACT. DIRECTOR OF MEXICAN FOREIGN TRADE INSTITUTE, JULIO FAESLER HAS BEEN SHARPLY CRITICAL OF US "SURVRISING SEVERITY" IN APPLYING TRADE LAW TO MEXICAN PRODUCTS. ANTONIO GAZOL SANCHEZ, DIRECTOR OF INDUSTRY IN SECRETARIAT OF INDUSTRY AND COMMERCE (SCC) BLAMED "OTHER COUNTRIES" RECENTLY FOR EFFORTS TO TMWART MEXICO'S EXPORT DRIVE BY INSTITUTING PROTECTIONIST MEASURES. GAZOL DESCRIBED AS "CONSTANT MENACE" TITLES II AND III OF TRADE REFORM ACT. HE ALSO CMARGED LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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THAT GSP PRODUCTS LIST GIVE NO SPECIAL ADVANTAGE TO MEXICO, DESPITE ITS GEOGRAPHICAL PROXIMITY AND PAST TRADE RELATIONSHIPS. ELISEO MENDOZA BERRUETO, UNDERSECRETARY OF COMMERCE IN SIC, IN RECENT EXCELSIOR INTERVIEW, DESCRIBED US TRADE ACT AS "DISCRIMINATORY" AND HIGHLY HURTFUL TO MEXICO. ZENDOZA BERRUET PROMISED THAT GOM WOULD BE MAKING STRONG OFFICIAL REPRESENTATIONS TO USG IN NEAR FUTURE ON MEXICAN COMPLAINTS ABOUT

ADMINISTRATION OF TRADE LAW, AND STATE THAT IT WOULD SHORTLY BE SUBJECT OF SPECIAL MEETING WITHIN OAS FRAMEWORK.

4. ON OCT. 9 LUNCHEON WITH US/MEXICAN BUSINESSMEN'S COMMITTEE (MEXICO 9875), AMBASSADOR HEARD FINANCIAL AND BUSINESS LEADERS EXPRESS SIMILAR CONCERNS. ALEJANDRO MEDINA MORA, A DIRECTOR OF BANCO NACIONAL DE MEXICO, AND OTHERS POINTED OUT HOW HARMFUL CERTAIN OF OUR NON-TARIFF BARRIERS WERE TO MEXICAN EXPORTS, CITING SANITARY RESTRICTIONS, SIZE LIMITATIONS FOR CERTAIN UNSPECIFIED PRODUCTS, AND "THE SOMETIMES WHIMSICAL" APPLICATION OF US IMPORT REGULATIONS. THESE NON-TARRIFF MEASURES ARE WORSE THAN TARIFFS IN MANY CASES, MEDINA MORA SAID, ADDING THAT THEY CAN BE SUDDENLY APPLIED WITHOUT NOTICE TO CAUSE THE CESSATION OF VALUABLE MEXICAN EXPORTS. AMBASSADOR NOTED HOW ALL COUNTRIES STAND TO PROFIT FROM NEW TRADE ACT, WHICH PERMITS MTN'S IN GENEVA, AND HOW LDC'S (PARTICULARLY MEXICO) STAND TO BENEFIT FROM GSP BEGINNING JAN. 1, 1976. GROUP AGREED, BUT SEEMED TO FEEL THAT MEXICO SHOULD RECEIVE MORE THAN MFN TREATMENT AS A "BEST CUSTOMER" AND AS CONTIGUOUS NATION.

5. COMMENT: IT IS OBVIOUS THAT THERE IS CONSIDERABLE UNEASINESS HERE ABOUT EFFECTS OF TRADE REFORM ACT ON MEXICAN EXPORTS TO US. INDEED, EMBOFF HEARD ON OCT. 10 FROM US JOURNALIST THAT PRESIDENTIAL CANDIDATE LOPEZ-PORTILLO IN BACKGROUND MEETING WITH FEW NEWSMEN MENTIONED TRADE ACT ALONG WITH GROWING BILATERAL TRADE DEFICIT AS TWO SUBJECTS OF GREAT CONCERN FOR MEXICO. AS CAN BE SEEN FROM ABOVE LIMITED OFFICIAL USE
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COMMENTS, SOME OF THIS CONCERN IS BASED ON MIS-APPREHENSION OF PROVISIONS OF TRADE LAW AND HOW IT IS BEING ADMINISTERED, AS WELL AS ALARM OVER STRONG EFFORTS BY US DOMESTIC INTERESTS TO REDUCE SIZE GSP PRODUCTS LIST. WHILE WE ARE CONTINUING OUR EFFORTS HERE TO MITIGATE SUCH CONCERNS, WE HOPE THAT BILATERAL DISCUSSIONS INCLUDING THE MEXICAN AMBASSADOR IN WASHINGTON, AS WELL AS SUCH OAS FORA AS THE SCCN MEETINGS ON GSP (STATE 242715) WILL HELP TO CLARIFY SITUATION.
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